

FISCAL NOTE

Bill #: HB0309

Title: Annually adjust school funding schedules for inflation

Primary Sponsor: Glaser, B

Status: As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
-------------------	------	-----------------------------	------

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$10,356,703	\$21,084,075
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	\$10,356,703	\$21,084,075

- | | |
|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. The method prescribed for inflating the basic and per-ANB entitlement for FY 2006 and FY 2007 in this bill is the same method that was used for determining the present law base for the basic and per-ANB entitlements for the 2007 biennium except for the addition of special education.
2. The average number belonging (ANB) in K-12 public schools will be as follows:

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
K-6 ANB	73,230	71,263	70,772
7-8 ANB	24,956	24,958	24,353
9-12 ANB	49,466	49,363	48,643
	147,652	145,584	143,768

3. HB 309 increases the elementary per-ANB entitlement and high school per-ANB entitlement by 2.10 percent in FY 2006 and by 2.19 percent in FY 2007. The basic and per-ANB entitlements will be set as follows:

Fiscal Note Request HB0309, As Introduced
(continued)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Basic entitlement EL	\$19,859	\$20,276	\$20,720
Basic entitlement HS	\$220,646	\$225,280	\$230,214
Per-ANB entitlement EL	\$4,031	\$4,116	\$4,206
Per-ANB entitlement HS	\$5,371	\$5,484	\$5,604
Direct State Aid Percentage	44.7%	44.7%	44.7%

4. Under current statutory entitlements the estimated costs are: direct state aid will be \$322.78 million in FY 2006 and \$318.82 million in FY 2007. Special education payments will be \$36.4 million in FY 2006 and FY 2007. Guaranteed tax base aid to schools will be \$102.15 million in FY 2006 and \$100.40 million in FY 2007.
5. The statewide taxable valuations will increase by 2.5 percent in FY 2006 and 2.8 percent in FY 2007.
6. The Governor's present law budget (MCA 20-9-326) requires the Governor to include inflation adjustments for the entitlements in the recommendations presented to the legislature. These present law entitlements result in the following expenditures: direct state aid will be \$329.76 million in FY 2006 and \$333.02 million in FY 2007. Special education payments remain at \$36.4 million in FY 2006 and FY 2007. Guaranteed tax base aid to schools will be \$104.61 million in FY 2006 and \$105.38 million in FY 2007.
7. Under HB 309, direct state aid will remain at \$329.76 million in FY 2006 and \$333.02 in FY 2007. Guaranteed tax base aid paid to schools will be \$104.77 million in FY 2006 and \$105.71 million in FY 2007. Special education payments will increased to \$37.17 in FY2006 and \$37.98 in FY 2007.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Local Assistance	\$10,356,703	\$21,084,075
<u>Funding of Expenditures:</u>		
General Fund (01)	\$10,356,703	\$21,084,075
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$10,356,703)	(\$21,084,075)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

School districts will respond to HB 309 in three ways. Most districts will increase general fund spending; others will provide property tax relief; and some districts will combine the approaches. Districts that are currently spending at the BASE budget level will be required to increase spending and local property taxes to achieve the new BASE level. Increases in property taxes to support the over-BASE portion of school district budgets will require voter approval.

TECHNICAL NOTES:

The allowable cost payment for special education historically had a present law adjustment for Maintenance of Effort to bring the base year budget up to the level of the next year's special education funding level. For the purposes of this fiscal note, it is assumed that the inflators are applied to the inflators in the second year of the current biennium.